

AGENDA BILL

Beaverton City Council
Beaverton, Oregon

SUBJECT: Authorize Mayor to Sign an Exclusive
Negotiation Agreement Regarding the
Redevelopment of the Beaverton Central
Creekside District

FOR AGENDA OF: 06-09-15 **BILL NO:** 15126

MAYOR'S APPROVAL: *Gerry Bass*

DEPARTMENT OF ORIGIN: CDD *OK*

DATE SUBMITTED: 06-04-15

CLEARANCES:

City Attorney *W. R. Riey*
CAO *R. E. Hill*
Finance *W. Hill*
Development *C. M.*

PROCEEDING: Action Item

EXHIBITS:

BUDGET IMPACT

EXPENDITURE	AMOUNT	APPROPRIATION
REQUIRED \$0	BUDGETED \$0	REQUIRED \$0

RECOMMENDED ACTION:

Authorize the Mayor to sign an Exclusive Negotiation Agreement (ENA) with Gerding Edlen and Rembold Properties in a form approved by the city attorney and consistent with the provisions of this agenda bill regarding the development of 3950 SW Cedar Hills Boulevard (the Westgate Property) and Lot 3 of The Round (Lot 3).

HISTORICAL PERSPECTIVE:

In November 2005, the City of Beaverton (City) purchased the nearly four-acre Westgate Property for \$4.9 million. Shortly thereafter, Metro and Beaverton entered into an intergovernmental agreement (2005 Westgate IGA) to coordinate the rights and responsibilities of the two parties regarding the acquisition, joint ownership, disposition and development of the property. In June 2006, pursuant to the 2005 Westgate IGA, Metro paid Beaverton \$2 million, whereupon the two became joint owners of the Westgate property as tenants in common: Metro owning an undivided 4/9ths of the property and Beaverton owning the remaining 5/9ths interest.

A principal objective of the 2005 Westgate IGA was to develop a "high quality showcase TOD Program Transit-Oriented Development catalyst project in accord with Metro TOD Program criteria." The IGA set forth a minimum-required development program for the property that included three or more buildings of five to ten stories each, with 30,000 square feet of ground floor retail space, 90 housing units, 220,000 square feet of office space in two buildings with structured parking, and all building space conditioning being provided by the Beaverton Central Plant.

In 2007, Beaverton and Metro jointly issued a request for proposals for redevelopment of the Westgate Property into a transit-oriented, mixed-use development consistent with the principal objective of the 2005 Westgate IGA. Unfortunately, that project did not move forward due to market conditions and other issues.

In 2012, Beaverton contracted with the BTR Associates, LLC (a subsidiary of ScanlanKemperBard Companies) to become owner of Lot 3 at The Round. The lot is currently used exclusively for parking by the residential condominium owners at The Round. Pursuant to the Fourth Amended and Restated Disposition and Development Agreement relating to The Round, BTR Associates, LLC is to convey title to Lot 3 to the City. The conveyance will happen later this year. Once the City owns the lot, it will have the right to relocate parking from Lot 3 to the adjacent Lot 2, provided the affected condominium owners are provided structured parking on Lot 2.

Over the years since 2008, the City has completed significant planning for Beaverton and the Creekside District. These plans include the Community Vision, Civic Plan and most recently, the Creekside Master Plan. The Creekside District Master Plan, completed in 2014, calls for the creation of a vibrant, attractive downtown residential and employment center and catalyst for continued growth in the downtown Beaverton area; a thriving, well-connected hub of transit-oriented development and pedestrian-friendly urban form; and a downtown creek system that is a beautiful destination and focal point for people who live, work and visit the Creekside District.

With the completion of the Creekside Master Plan, Beaverton is ready to lead redevelopment efforts to make the Creekside vision a reality. To that end, in March 2015, the City released the Beaverton Central Creekside Redevelopment Request for Qualifications (RFQ). The Westgate Property and The Round are critical to implementing the community's vision for the Creekside District. The City expects that redevelopment of the Westgate Property will catalyze additional development in the core area of the Creekside District.

INFORMATION FOR CONSIDERATION:

Prior to releasing the RFQ, Metro and Beaverton agreed that Beaverton would take lead responsibility in soliciting and negotiating a redevelopment arrangement with a development team. Metro representatives reviewed and commented on drafts of the Creekside RFQ and helped evaluate proposals.

The Request for Qualifications

The Creekside RFQ asked respondents to propose a redevelopment program with a mix of uses for the Westgate Property, taking into consideration the site's larger urban context and stated public interests for the Creekside District.

The RFQ provided background information regarding the Westgate Property, the surrounding area, and the City's Creekside Master Plan. In addition, the RFQ outlined submittal requirements and evaluation criteria to provide clarity about what the City is seeking: a seasoned development team with the financial capacity and relevant experience to implement the Creekside Master Plan vision in a viable and expedient manner.

The RFQ included the concept of an Arts and Culture Center (ACC) as an optional program component and requested proposers to identify why an ACC was or was not included in their proposal. Finally, the RFQ acknowledged the Westgate Property was unlikely to fulfill all the policy goals of the Creekside Master Plan and therefore encouraged proposers to think creatively about utilizing other properties in the district (including Lot 3) to better implement their development program.

After releasing the RFQ, the City held a non-mandatory pre-proposal meeting and tour of the site to provide information and answer additional questions. Proposals were due on May 8, 2015.

The Proposals

The City received three proposals from well-known, quality development teams with a wide range of experience. The proposals were submitted by (1) Hines of Houston, Texas; (2) Confluence Real Estate Services (CRES) of Portland, Oregon; and (3) Gerding Edlen (GED)/Rembold Properties (Rembold), also of Portland, Oregon.

All three proposals contained multifamily residential housing with ground floor retail as part of the proposed development program on the Westgate Property. These uses serve market demand and are necessary to activate the area. In addition to multifamily housing and ground floor retail, the proposal provided by GED/Rembold included a hotel as one of the uses on the Westgate Property and the ACC and a public parking garage on Lots 2 and 3 at The Round.

An evaluation committee, comprised of a city councilor, a Metro representative, a Beaverton Urban Renewal Advisory Committee member, the executive director of the Beaverton Chamber of Commerce, the community development director, the finance director and the city attorney reviewed and preliminarily ranked the three proposals. The evaluators had questions of each of the development teams, so in-person interviews were held with each team.

The in-person interviews shed light on the proposals and made it clear that each development team would be an excellent addition to the development community in Beaverton. Because all proposers are well-qualified and have capacity to develop quality projects, the evaluation committee carefully considered whether to add an additional request for proposals (RFP) phase to the Beaverton Central Creekside Redevelopment solicitation process.

The evaluation committee decided not to add an RFP phase to the solicitation process, in large part because throughout the evaluation process GED/Rembold and its proposed development program consistently ranked first among the three development teams and their proposals. Both GED and Rembold have significant relevant experience locally and nationally; their proposed development program for the Creekside District will materially advance the vision of the Creekside Master Plan; and the various project components of the program can be phased or shifted with little to no consequence to other project components.

In light of this, the evaluation committee chose to recommend to the mayor that the City select GED/Rembold as the City's development partner for the Creekside properties and enter into exclusive negotiations with the firm to attempt to reach agreement for the financing and development of the properties. The mayor's concurrence with this recommendation resulted in this agenda bill asking the council to authorize the mayor to sign an ENA with GED/Rembold on behalf of the City.

The Exclusive Negotiation Agreement

The initial ENA period is for six months and is an agreement to pursue the refinement of the preliminary concept provided by the GED/Rembold team. Significant work remains to determine whether this project will move forward. The ENA is only a step toward the disposition of a key City asset. Before any definitive agreement regarding the disposition of the Creekside properties is made, council approval is required. In the process, there will be multiple opportunities for check-ins regarding progress made and multiple opportunities to exit the negotiations if necessary.

That said, staff is optimistic about the recommended proposed development program. If negotiations and due diligence progress well, staff anticipates returning to council for approval to extend the ENA an additional six months. This period will enable the parties to complete negotiation of a disposition and development agreement and to determine the viability and phasing of an ACC in the Creekside District.

The ENA to be entered into between GED/Rembold and the City will include the following terms and conditions and will be in a form approved by the city attorney consistent with the following:

- **Properties included:** Westgate Property and Lot 3.
- **Initial Term:** Six months.
- **Renewal Term:** Initial term may be renewed for up to two additional six-month terms, with council approval.
- **Scope of Work:** Refine project vision and implementation strategy; evaluate options for one

or more parking structures to serve the project; evaluate funding options for an ACC; complete site analyses and market assessments; engage in community outreach as appropriate; prepare necessary design and construction plans; refine budgets, pro-formas and finance plans.

- **Costs:** GED/Rembold will bear all costs of due diligence and predevelopment work for the private development components of the project, except for those costs expressly agreed to by the City in a written predevelopment agreement.
- **Marketing of Property:** City will refrain from marketing or negotiating with any parties other than GED/Rembold regarding disposition of the Westgate Property and/or Lot 3.
- **Cooperation:** The parties will work together to refine the vision included in the GED/Rembold proposal to determine the feasibility of the project and vet project components.
- **Non-Assignable:** The exclusive right to negotiate is non-assignable by GED/Rembold without the City's prior written consent, which may be withheld at the sole discretion of the City.
- **Permit of Entry:** The City will provide a permit of entry to the development team for the Westgate Property to facilitate due diligence activities.
- **Indemnification:** GED/Rembold will indemnify, defend and hold harmless the City and its agents against liability arising out of or relating to their entry onto the Westgate Property to facilitate due diligence activities. City indemnification permitted only to the extent approved by the city attorney.
- **Required Council Authorization:** If predevelopment negotiations culminate in dispositive agreement for the development of any part of the two properties, such agreement shall become effective only after it has been considered and approved by the council.